

**MASSILLON MUSEUM
STARK COUNTY, OHIO**

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Trustees
Massillon Museum
121 Lincoln Way East
Massillon, Ohio 44646

We have reviewed the *Report of Independent Accountants* of the Massillon Museum, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Massillon Museum is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 5, 2007

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**MASSILLON MUSEUM
STARK COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2005**

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REPORT OF INDEPENDENT ACCOUNTANTS

**Massillon Museum
Stark County
121 Lincoln Way East
Massillon, Ohio 44646-6633**

To the Board of Trustees:

We have audited the accompanying statements of financial position of the Massillon Museum, Stark County, Ohio (the Museum) as of December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of December 31, 2005, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2007 on our consideration of the Museum's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Charles E. Harris & Associates, Inc.*
February 2, 2007**

**MASSILLON MUSEUM
STARK COUNTY, OHIO**

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 149,484
Government Appropriations Receivable	308,128
Accounts Receivable	18
Inventory for Sale	11,451
Prepaid Assets	6,460
	6,460

Total Current Assets 475,541

Fixed Assets

Land	7,093
Building and Improvements	2,182,789
Furniture and Fixtures	145,337
Total Fixed Assets	2,335,219
Less Accumulated Depreciation	(565,305)
	(565,305)

Net Fixed Assets 1,769,914

Other Assets

Workers' Compensation Deposit	97
Collections	1,925
Investments:	
Cash and Cash Equivalents - Restricted	755
Investments - Restricted	50,322
Investments - Unrestricted	150,818
	150,818

Total Other Assets 203,917

TOTAL ASSETS 2,449,372

LIABILITIES:

Accounts Payable	7,638
Payroll Liability	10,013
Accrued Sales Taxes	52
Long Term Liability-Due more than one year	55,058
Compensated Absences	9,011
	9,011

TOTAL LIABILITIES 81,772

NET ASSETS

Unrestricted	2,311,550
Permanently Restricted	56,050
	56,050

TOTAL NET ASSETS 2,367,600

TOTAL LIABILITIES AND NET ASSETS \$ 2,449,372

The notes to the financial statements are an integral part of this statement.

**MASSILLON MUSEUM
STARK COUNTY, OHIO**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	UNRESTRICTED	PERMANENTLY RESTRICTED	TOTALS
Support and Revenue:			
Special Fund Raising Events	\$ 25,392	-	\$ 25,392
Exhibitions	39,212	-	39,212
Governmental Appropriation Tax	308,129	-	308,129
Grants	56,696	-	56,696
Members of Museum	20,650	-	20,650
Contributions, Gifts and Bequests	500	-	500
Art Classes	15,439	-	15,439
Photo Reproduction Income	1,265	-	1,265
Miscellaneous Income (Misc. & Lobby)	2,573	-	2,573
Interest and Dividends	7,218	-	7,218
Unrealized Gain (Loss) on Investments	11,776	-	11,776
Gift Shop	8,853	-	8,853
Café	3,725	-	3,725
Consignments	109	-	109
Health Insurance - Employee Contribution	1,769	-	1,769
Donations	1,554	-	1,554
	<u>504,860</u>	<u>-</u>	<u>504,860</u>
Total Support and Revenue			
	<u>504,860</u>	<u>-</u>	<u>504,860</u>
Expenses:			
Grant Expenditures:			
Contract Services	19,856	-	19,856
Women's Exhibition Materials, Travel	8,757	-	8,757
Website	6,930	-	6,930
Printing	10,875	-	10,875
Other	738	-	738
Special Events	25,657	-	25,657
Purchases - Art Class Supplies	5,825	-	5,825
Advertising	1,685	-	1,685
Auto Expenses	2,379	-	2,379
Depreciation	72,600	-	72,600
Dues and Subscriptions	1,326	-	1,326
Equipment Rental	1,119	-	1,119
Insurance - General	3,930	-	3,930
Insurance - Industrial	479	-	479
Insurance - Health	9,586	-	9,586
Insurance - Other	2,530	-	2,530
Professional Fees, Legal and Accounting	3,951	-	3,951
Photo Lab	2,541	-	2,541
Postage	17,557	-	17,557
Miscellaneous	7,604	-	7,604
Office Expenses	6,751	-	6,751
Volunteer Expense	2,068	-	2,068
Outside Services	33,176	-	33,176
Printing and Publishing	31,530	-	31,530
Repairs and Maintenance	15,262	-	15,262
Supplies	7,506	-	7,506
Gift Shop Items for Resale	10,040	-	10,040
Taxes - Payroll	14,262	-	14,262
Taxes - Sales & Other	1,254	-	1,254
Retirement	3,259	-	3,259
Other - Payroll Expenses	2,947	-	2,947
Telephone and Internet	4,092	-	4,092
Travel and Entertainment	6,185	-	6,185
Utilities	41,798	-	41,798
Wages	149,516	-	149,516
Fundraising Expenses	1,938	-	1,938
Debt - Interest	880	-	880
	<u>538,389</u>	<u>-</u>	<u>538,389</u>
Total Expenses			
	<u>538,389</u>	<u>-</u>	<u>538,389</u>
Change in Net Assets Related to Collection Items Not Capitalized:			
Collection and Exhibit Expenses	28,994	-	28,994
	<u>28,994</u>	<u>-</u>	<u>28,994</u>
Changes in Net Assets			
	(62,523)	-	(62,523)
Net Assets at the Beginning of Year			
	2,374,073	\$ 56,050	2,430,123
Net Assets at the End of the Year			
	<u>\$ 2,311,550</u>	<u>\$ 56,050</u>	<u>\$ 2,367,600</u>

The notes to the financial statements are an integral part of this statement.

**MASSILLON MUSEUM
STARK COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Cash Flows From Operating Activities	
Increase/Decrease in Net Assets:	\$ (62,523)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Accounts Receivable	659
Government Receivable	(5,700)
Prepaid Assets	(6,460)
Collections	(480)
Other Current Assets	(399)
Accounts Payable and Accrued Liabilities	6,946
Depreciation	<u>72,600</u>
Net Cash Provided by Operating Activities	4,643
Cash Flows From Investing Activities	
Purchase of Fixed Assets	<u>(63,448)</u>
Net Cash From Investing Activities	(63,448)
Cash Flows From Financing Activities	
Long Term Liabilities	<u>55,058</u>
Net Cash Financing Activities	<u>55,058</u>
Net Decrease in Cash and Cash Equivalents	(3,747)
Cash and Cash Equivalents as of Beginning of Year	<u>153,986</u>
Cash and Cash Equivalents as End of Year	<u><u>\$ 150,239</u></u>

The notes to the financial statements are an integral part of this statement.

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Massillon Museum (the Museum) is a not-for-profit organization exempt from income tax under Section 501(c) (3) of the U.S. Internal Revenue Code.

The Museum engages in the traditional museum functions of collecting, exhibiting, conserving, and educating. The Museum collects and exhibits local and regional art, including local historical artifacts.

The Museum is supported by property tax money (Government Appropriations) from the citizens of the community which is voted on by the citizens of the City of Massillon for a five year period to provide for a free museum of art and history that is maintained and operated by a private, not-for-profit organization as authorized by Section 5709.19(A)(A) of the Ohio Revised Code. The Board of Trustees formulates and adopts the by-laws and policies that govern the operations of the Museum. The Board may consist of as many as twenty-five voluntary trustees who may serve two consecutive three-year terms.

Public Support and Revenue

Grant and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grants and contributions whose restrictions are met in the same reporting period as receipt of the grant or contribution are reported as unrestricted in the statement of activities.

The donor permanently restricts endowment contributions and investments. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restriction.

Art Collections

In conformity with the practice followed by many museums, the value of art objects acquired by gift is not reflected in these statements.

Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Museum, but these services do not meet the criteria for recognition as contributed services.

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property and Equipment

It is the Museum's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method.

The collections, which are acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or donors restrict temporarily or permanently restricted net assets if the assets are used to purchase the items. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Museum will compensate the employees for the benefits through paid time off or some other means. The Museum records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are identified by the Museum as probable of receiving termination benefits in the future. The amount is based on accumulated sick leave maximum of thirty (30) days and employees' wage rates at year end, taking into consideration any limits specified in the Museum's termination policy. The Museum records accumulated unused sick leave for all employees.

Financial Statement Presentation

The Museum has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organization." Under SFAS No. 117, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Museum does not have any temporarily restricted net assets. In addition, the Museum is required to present a statement of cash flows.

Investments

The Museum has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

MASSILLON MUSEUM
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Advertising Costs

Advertising costs are expensed as incurred.

Inventory

Inventories are stated at cost on a first-in, first-out basis and are expensed when used. Inventories consist of supplies held for resale within the Museum Shop.

Simple IRA Retirement Plan

The Museum has a Simple IRA Retirement Plan to provide retirement for its employees. Employees may contribute a percentage of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Museum matches employee contributions dollar for dollar up to a 3% ceiling. All matching contributions vest immediately. The Museum's matching contributions to the Plan totaled \$2,868 in 2005, \$403 in 2004 and \$595 in 2003.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. FUNDING AGREEMENTS

The Museum receives a majority of its funding from the City of Massillon. A significant reduction in the level of funding by the City of Massillon would have a significant effect on the Museum's activities.

3. DEPOSITS AND INVESTMENTS

The Museum's carrying value of its cash and cash equivalents reported on the Statement of Financial Position as of December 31, 2005 was:

	Cash and Cash Equivalents
Demand Deposits	\$ 71,996
Cash on Hand	200
U.S. Government Money Market Funds	78,043
Total Cash and Cash Equivalents	\$ 150,239

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

3. DEPOSITS AND INVESTMENTS – (Continued)

Long-term investments are stated at fair value and consist of mutual funds, treasury obligations, certificates of deposits and common stock. Fair values and unrealized appreciation at December 31, 2005 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>Permanently Restricted:</u>			
Gar Funds - Mutual Funds	\$ 40,495	\$ 38,587	(1,908)
Certificates of Deposit	11,735	11,735	-
Total Permanently Restricted	52,230	50,322	(1,908)
<u>Unrestricted:</u>			
Gar Funds-Mutual Funds	146,228	150,818	4,590
Total Unrestricted	146,228	150,818	4,590
Totals	\$ 198,458	\$ 201,140	\$ 2,681

The endowment totaling \$56,050 as of December 31, 2005 allows current income to be used. The principal is restricted and is reported as restricted. The Museum reports the income and expenses on the \$56,050 as Unrestricted since the current income can be used.

4. GOVERNMENT APPROPRIATIONS TAX

The taxing authority of the Council of the City of Massillon, Stark County, Ohio certifies a copy of Council's resolution requesting the Stark County Auditor to certify to the City of Massillon the total current tax valuation of the subdivision and the amount of revenue that would be provided by one (1) mill, to levy a tax outside the ten-mill limitation for the purpose of providing a free Museum of Art and History that is maintained and operated by a private, not-for-profit organization as authorized by the Ohio Revised Code Section 5709.19(A)(A).

The County Treasurer collects property tax on behalf of all taxing districts within the County, including the Massillon Museum. The County Auditor periodically remits to the City of Massillon its portion of the taxes along with the Museum's taxes. Subsequently, the City periodically remits to the Museum its portion of taxes. Government Appropriations receivable represents real and tangible personal property taxes, public utility taxes and delinquencies, which are measurable as of December 31, 2005 and for which there is an enforceable legal claim.

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

5. FIXED ASSETS

Fixed assets reflected on the Statement of Financial Position are stated at historical costs (or estimated historical costs) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives.

<u>Depreciation</u>	<u>Estimated</u>
Buildings and Improvements	4 to 50 years
Equipment, Furniture and Fixtures	3 to 10 years

The Museum's fixed assets values were determined using original acquisition costs when such information was available. In cases when original costs were not practicable determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Contributions of works of art, historical treasures, and similar assets, which meets the conditions of SFAS No. 117, were not capitalized.

The Museum's collections are made up of artifacts of historical significance and art objects that are held for educational, research and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

6. ENDOWMENT FUND

The Museum entered into an agreement in 1997 with the Stark Community Foundation, Inc. (the Foundation), a legally separate charitable organization to create a permanent endowment fund (the Fund) as a component fund of the Foundation into which the Museum itself and other persons or corporations may make contributions of cash and other property from time to time for the support of the Museum. The Foundation administers the endowment fund for the benefit of the Museum in accordance with the terms of the agreement. Income from the Fund, after payment of all expenses, is distributed to the Museum in quarterly installments based upon the level of need as presented by the Museum to the Foundation in accordance with the terms of the agreement. At December 31, 2005, the total value of the fund was \$37,776. The Fund is to be used for educational purposes including teacher salaries, equipment and supplies.

7. OPERATING LEASE

The museum has entered a 63 month copier lease in November 2005. The lease expense for the year ended December 2005 was \$267.

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

7. OPERATING LEASE – (continued)

The future minimum rental payments related to the above-mentioned lease is:

<u>Year</u>	<u>Amount</u>
2006	\$ 3,204
2007	3,204
2008	3,204
2009	3,204
2010	3,204
2011	534
Total	<u><u>\$ 16,554</u></u>

8. DEBT

Massillon Museum obtained a line of credit totaling \$175,000 on June 9, 2005 with a maturity date of December 9, 2006, which was extended to June 9, 2007.

The amount drawn down as of December 31, 2005 is as follows:

<u>Line of Credit</u>	<u>Balance 12/31/04</u>	<u>Added</u>	<u>Retired</u>	<u>Balance 12/31/05</u>
Unizan Bank	<u><u>\$ -</u></u>	<u><u>\$55,058</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 55,058</u></u>

The amount of interest charged varies each month, and the Museum pays the amount of interest due each month.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**Massillon Museum
Stark County
121 Lincoln Way East
Massillon, Ohio 44646-6633**

To the Board of Trustees:

We have audited the financial statements of the Massillon Museum, Stark County, Ohio (the Museum) as of and for the year ended December 31, 2005, and have issued our report thereon dated February 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Museum's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Museum in a separate letter dated February 2, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
February 2, 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending December 31, 2004 reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

MASSILLON MUSEUM

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 19, 2007**